

**REPORT OF THE CIVIC FEDERATION'S SCHOOLS COMMITTEE
ON THE ARLINGTON PUBLIC SCHOOLS PROPOSED FY2009 BUDGET**

INTRODUCTION/SUMMARY

The Arlington Public Schools FY2009 proposed budget that will be presented to the School Board and the public as an information item on April 3, 2008, includes projected increases in revenues and expenditures of 4.3% over the FY2008 adopted budget, from \$411 M to \$430 M, for an estimated cost of \$19,195 per student, up from last year's adopted budget of \$18,563/student. It includes \$21 M spread over 40 "Focused Improvements" (i.e., new programs and/or new expansions of existing programs) to be funded from a combination of reallocated one-time items from last year's budget and new funds. It also includes \$700,000 in budget reductions that are yet to be determined, in order to bring it into balance.

Most significantly in this budget, we note that the Superintendent has not proceeded as aggressively as the County Manager in dealing with the need to meet the actuarial deficit in the financing of retired employee health benefits (commonly called "OPEB," for Other Post-Employment Benefits). This deficit is currently estimated at an annual unfunded liability of \$13.6 M. It is our understanding that a plan to meet this need will be proposed as part of the FY2010 budget. Given the large size of the required additional annual contribution, we believe that it is prudent to put aside a much larger amount than is proposed as an addition to the current reserve for this purpose.

Consequently, we recommend funding \$14.6 M of the proposed \$20.9 M in Focused Improvements, and reserving the remaining \$6.3 M for OPEB. The "improvements" we recommend funding can be generally summarized as follows:

- ✓ The proposed 2.2% across-the-board salary adjustment and increasing the retirement match for all employees from 1.7% to 2.0% (cost: \$7 M).
- ✓ The proposals regarding HVAC systems, cafeteria equipment maintenance, the capital reserve and completion of Washington-Lee High School (cost: \$5.2 M).
- ✓ About a dozen other of the 40 proposals that appear to either be legally required or necessary continuations of programs already underway (cost: \$2.4 M)

For the most part, we consider the other proposals for focused improvements, regardless of their intrinsic merit, to be less important than making significant progress on meeting our obligation to fully fund the actuarial requirement of our retiree health benefits on an annual basis. Our recommendation would provide \$6.3 M for this purpose. When added to the current reserve of \$3.8 M and the proposed additional contribution of \$0.45 M in the current budget, our recommendations would produce an OPEB reserve fund of \$10.6 M, or about 78% of the \$13.6 M unfunded liability for one year. We look forward to proposals next year to reduce this pressure on the school system's operating budget.

We also have qualms about the budget’s justification of new proposals by attributing them to various parts of the Strategic Plan, such as “Rising Achievement,” “Responsive Education,” “Effective Relationships” and “Essential Support.” These categories are so general that they can seem to justify almost anything. This year’s 40 separate new proposals are not so easily justified simply by attributing such labels to them.

Budget requests for additional funds should: (1) identify a problem, (2) describe its extent and seriousness, (3) describe how the requested funds are to be used to address the problem, and (4) describe the anticipated results from the use of the additional resources requested.

ALL FUNDS SUMMARY OF RECOMMENDATIONS

A basic summary of the elements of our recommendations is as follows:

Revenues

\$348,723,944	County Transfer
\$ 1,310,916	Re-Estimated County Revenue (APS Share)
\$ 2,500,000	Carry Forward/Budget Savings
\$ 51,041,432	Estimated State Revenues - sales tax & other
\$ 14,191,898	Estimated Federal Revenue
\$ 11,994,890	Estimated Other Revenue
\$429,763,080	TOTAL

Expenditures

\$342,896,272	(Operating fund) (APS proposed budget is \$6 M more)
\$ 13,624,437	(Community activities) (APS proposed budget is \$ 15,400 more)
\$ 6,033,593	(Cafeteria fund) (APS proposed budget is \$ 5,200 more)
\$ 8,852,517	(Capital projects) (APS proposed budget is \$347,000 more)
\$ 3,650,000	(Comprehensive services)
\$ 14,970,163	(Grants & restricted programs)
\$ 33,374,607	(Debt service)
\$ 0	(Capital reserve)
\$ 6,361,492	(Schools Committee savings to be contributed to OPEB reserve)
\$429,763,080	TOTAL

Reserves (not counted elsewhere)

\$ 2,000,000	(reserve fund)
\$ 10,561,492	(OPEB set-aside) (APS proposes \$ 6.3 M less)
\$ 12,561,492	TOTAL RESERVES

SPECIFIC RECOMMENDATIONS

The table below lists each of the Superintendent’s new “focused improvements” and our recommendation concerning it. A “Y” indicates we recommend full funding, an “N” indicates we recommend not funding it this year, and a dollar figure indicates a lower level of funding we recommend. Following the table is a brief discussion of our reasoning, and our recommendations regarding how the budget is presented.

<u>Proposed Initiative</u>	<u>Cost</u>	<u>Recommend</u>	<u>Comment</u>
Compensation Adjustment	\$ 8,328,781		
2.2% COLA	\$ 6,256,842	Y	
Delete Longevity, Compress A, C & X Scales	\$ 260,000	N	
Increase retirement match from 1.7% to 2.3% of salary	\$ 1,501,939	\$ 750,970	Increase match to 2.0%, not 2.3%
Retention bonuses/ hard-to-fill jobs	\$ 40,000	Y	
School psychology interns	\$ 16,000	N	
CAP, extend pay bonus to non-teaching staff	\$ 254,000	N	Limit to teachers, not central staff
World Languages	\$ 1,803,000		
Chinese & Arabic Classes	\$ 175,000	Y	
FLES @ 4 more elementary schools	\$ 1,466,000	N	
Middle School Electives (more)	\$ 162,000	N	
Achievement Gap	\$ 219,925		
Even Start Literacy Program	\$ 100,000	N	
1 new VPI Class	\$ 119,925	Y	
Internet Safety Training	\$ 14,000	N	
Cultrl Competence Training	\$ 126,000	N	

<u>Proposed Initiative</u>	<u>Cost</u>	<u>Recommend</u>	<u>Comment</u>
HVAC Needs	\$ 2,750,000		
System-wide needs	\$ 2,600,000	Y	
HVAC techs/ contract svcs	\$ 150,000	Y	
Facilities	\$ 3,540,551		
Cafeteria equip repair & maint	\$ 100,000	Y	
Capital Reserve	\$ 1,473,551	Y	
2 nd Shift Maintenance Suprvrs	\$ 0	Y	
Planetarium Review	\$ 17,000	N	Should be done with existing funds
Remaining funds for W-L	\$ 500,000	Y	
Arlington Mill lease/bld-out	\$ 1,000,000	N	Too late to be used this year; consider in next year's budget.
Security/vistr mgmt system	\$ 450,000	Y	
Environment	\$ 256,140		
Recycling Services	\$ 50,000	N	
Transportation Demand Mgmt	\$ 206,140	N	
Technology	\$ 2,037,842		
Assistive services & devices	\$ 38,000	Y	
EZ Communicator/Dialer	\$ 97,725	N	
STARS support	\$ 602,142	Y	
Systemic Computr replcmnt cycle (1 st yr of 3yr lease)	\$ 1,249,975	\$625,000	Use 4 or 5 year cycle instead of 3 years
Web-based grade book	\$ 50,000	N	
Other	\$ 1,315,000		
Athletic trainer stipends	\$ 13,350	Y	
Career Cntr IEP counseling needs	\$ 17,200	N	
Exemplary projects enhancements	\$ 0	Y	
High School Assistant registrars	\$ 54,000	N	
Additional 4.5 MIRTs	\$ 387,000	N	
Add'l 2.5 Gftd/Talent Resource teachers	\$ 215,000	N	
Humanities project	\$ 5,000	N	
CPI for materials & supplies (4.5%)	\$ 233,000	Y	
Ad'l Art Supplies (elem schls)	\$ 98,720	N	
OPEB reserve	\$ 450,000	Y	
Services for homeless students	\$ 43,000	N	

<u>Proposed Initiative</u>	<u>Cost</u>	<u>Recommend</u>	<u>Comment</u>
Capital Reserve	\$ 347,000	N	
TOTAL	\$20,938,765	\$14,577,274	Savings: \$6,361,491

Discussion of Reasoning for Recommendations

1. Compensation.

We believe a 2.2% across-the-board salary adjustment (formerly known as a COLA) is appropriate this year, as starting salaries for teacher pay scales have begun to fall below 2nd or 3rd in the region. Similarly, we trust improving the retirement match to 2% (from 1.7%) will help us remain competitive in this area. In order to save as much money as possible for the OPEB reserve, we do not recommend the School Board's last-minute effort to raise the match to 2.3%. Bonuses for hard-to-fill positions seem necessary to solve the problem of frequent vacancies in highly skilled trades.

2. HVAC/Facilities/Capital Reserve and Projects Underway

We believe repair and maintenance of HVAC systems, particularly in schools whose rebuilding has been delayed, is a necessary infrastructure investment to keep the schools operating. Similarly, repair and maintenance of cafeteria equipment is necessary due to the move to on-site lunch preparation at each school. The completion of Washington-Lee High School should not be delayed, and continued funding of the capital reserve is prudent in light of the likely necessity of delaying the rebuilding of facilities previously expected to begin in the next few years.

3. Other Improvements

We recommend funding the proposal for the Chinese and Arabic language programs because they move our schools in the direction of modern trends in world commerce and politics; therefore, they should be supported in their fledgling, second year.

We recommend funding the proposal for the STARS computer system because it is an ongoing program that must be supported and made to work. As indicated in Section 5 below, however, we have reservations about continued investment in -- and reliance on -- STARS. We recommend re-examining our computer system requirements and how to address them. Similarly, the proposal to replace computers on a system-wide basis on a 3-year cycle appears able to be stretched to 4 or 5 years, and we recommended reducing funding of this item on that basis.

We recommend funding the Superintendent's proposal to increase funding of materials and supplies by the regional CPI of 4.5% to reflect the impact of inflation on necessary items.

And for obvious reasons, we recommend funding the \$0.45 M the Superintendent has proposed for the OPEB reserve (for retiree health benefits).

With respect to the two dozen other “focused improvements” that the Superintendent proposed that we do not recommend funding this year, there were different views on the relative merits of these programs, but there was unanimous agreement that they are not as important as addressing the school system’s unfunded annual OPEB liability.

4. Comments On The Budget Presentation

The proposed budget is silent on what the mix of reallocated and new funds will be; this is a surprising and disappointing change from last year, when the proposed budget clearly specified what was “new” money and what “redirected” funds were being spent on. We recommend that, in future years, the Superintendent resume last year’s format of clearly spelling out which new initiatives he proposes to fund with revenue increases and which will be funded with budget savings or redirection.

Also, the FY08 budget had performance measures for some departments; this year, there are no performance measures for any department. We urge that the performance measures be reinstated for next year and included for all departments. Further, staff would be well-served to solicit input from school committees such as ACI, A&E, etc. about what meaningful measures would be.

In addition, as we began to look this year at the base budget, we noticed that the Personnel Services Department budget (p. 311) proposed expenditures that are actually for certain system-wide salaries and staff development, but were listed as if they applied only to the Personnel Services Office. For future years, we recommend breaking out more clearly in the base budget what costs are for system-wide funds, and what costs are unique to specific offices or departments.

5. Comments on the Information Services Department and the Baseline Budget

Last year, the Superintendent proposed \$ 0.41 M in redirected and new funds to begin creating a “data warehouse” that would integrate various system-wide data management functions (FY08 budget, p. 29). We note with dismay that this year’s budget states that a priority for the Information Systems office is to “commence development of a data warehouse” (FY09 budget, p. 361). The FY09 budget book does not indicate how much funding is proposed for this project, or what progress, if any, has been made on it to date. In the meantime the state has made available a free system (Educational Information Management System) that allows school personnel to perform many of the same functions as the data warehouse. The budget should show with greater clarity what happened to the \$0.41 M from the FY08 budget for this project last year; what funds, if any, will be expended on it this year; and what specifically APS needs to develop separately from what is already available from the state. Also, at an employee work session with the School Board in February, issues were raised about the STARS system’s handling of basic payroll functions, such as, its apparent inability to show hourly and overtime rates on pay stubs, and difficulties correcting payroll errors. Further we understand implementation of some parts of the system has been delayed by at least 3 months. We suggest it may be time for a work session to cover lessons learned about implementation of the student information system and STARS and consider more carefully where we are going.

With the closing of the inventory/supplies warehouse last July, APS shifted to just-in-time delivery. We understand that computer equipment was delivered to at least one elementary school at the beginning of the school year and still has not been setup. This causes us to wonder if the equipment was really needed in the first place, how widespread the problem is, and if funds could have been better utilized.

Approved by the Schools Committee:

Herschel Kanter
Roye Lowry
Roger Meyer
Tim Wise
Beth Wolffe, Chairwoman

Arlington County Civic Federation FY2008 Budget Resolutions

Fiscal

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[redacted to exclude resolutions pertaining only to County government]

10. Whereas the Schools Committee has submitted a report that is consistent with budget recommended by the R&E Committee,

Therefore, be it resolved that the Federation recommends adoption of the Schools Committee report and its recommendations.

Adopted by the Civic Federation: